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Message Text

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ACTION XMB-04

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-08
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FM AMCONSUL ISTANBUL
TO SECSTATE WASHDC 9559
INFO AMEMBASSY ANKARA
AMCONSUL IZMIR
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DEPT PASS EXIMBANK

E.O. 11652: N/A
TAGS: EFIN, EGEN, TU
SUBJ: EXIMBANK MEETINGS IN ISTANBUL

1. EXIMBANK TEAM HAD USEFUL MEETINGS JANUARY 7 WITH CITICORP AND AKBANK. CITICORP REP DETAILED HIS UNDERSTANDING OF TURKEY'S CURRENT DEBTS, AND BOTH BANKS PROPOSED FINANCING ARRANGEMENTS INTENDED TO REGULARIZE ARREARAGES TO EXIMBANK.

2. ACCORDING TO CITICORP, MAJOR ELEMENTS OF TURKEY'S INDEBTEDNESS ARE: (A) CONVERTIBLE LIRA DEPOSITS (CLD'S) TOTALING $2 BILLION, OF WHICH $150 MILLION IN ARREARS, AND OF WHICH $1.5 BILLION MATURING BEFORE END OF 1978. (B) DEBTS TO FOREIGN SUPPLIERS FOR GOODS SHIPPED AND RECEIVED: $1.5 BILLION. (C) APPLICATIONS AT CENTRAL BANK FOR RELEASE OF FOREIGN EXCHANGE FOR IMPORTS, OF WHICH ONLY A SMALL PART HAS BEEN SHIPPED: $1.2 BILLION. (D) YEARLY SERVICE (INTEREST AND PRINCIPAL) ON APPROX. $4 BILLION CONTRACTUAL DEBT: $400 MILLION. (E) OVERDRAFTS WITH CENTRAL BANK'S FOREIGN
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CORRESPONDENTS, WHICH ARE CONCENTRATED WITH 4 OR 5 BANKS: $100 MILLION. (F) CENTRAL BANK REIMBURSEMENT ITEMS WHICH HAVE NOT BEEN HONORED: $250 MILLION.

3. FOREGOING, COMBINED WITH ANTICIPATED 1978 CURRENT ACCOUNT DEFICIT OF $1.5 BILLION REPRESENTS IN ROUND NUMBERS $4 BILLION FINANCING NECESSARY IN 1978. THIS DISREGARDS MATURING CLD'S,

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WHICH BANKS ARE SEEKING MEANS OF REFINANCING ON 2-3 YEAR TERMS, AND APPLICATIONS FOR RELEASE OF FOREIGN EXCHANGE FOR PENDING IMPORT TRANSACTIONS (C ABOVE), WHICH CITICORP APPARENTLY ASSUMES WILL NOT BE CONSUMMATED.

4. CITICORP OFFERED TO REFINANCE APPROX. $20 MILLION OF EXPORT CREDIT INSURANCE CLAIMS ANTICIPATED TO EXIMBANK/FCIA DURING NEXT 2-3 MONTHS BY MEANS OF A DIRECT 2-3 YEAR CREDIT TO CENTRAL BANK, PROCEEDS TO BE USED FOR PAYMENT TO INSURED SUPPLIERS, AND WITH EIMBANK GUARANTEE TRANSFERRED TO CITICORP.

5. AKBANK SUGGESTED CLEANING UP ARREARS ON SEVERAL EXIMBANK LOANS BY MEANS OF CONVERTING TRANSACTIONS TO ACCEPTANCE FINANCING. AKBANK WOULD ACCEPT DRAFTS WITH 180 DAY TERMS COVERING IMPORT TRANSACTIONS, AND UNDERTAKE TO PAY ON MATURITY OUT OF ITS OWN FOREIGN CURRENCY HOLDINGS. ACCORDING TO AKBANK, IT HAS AVERAGE MONTHLY FOREIGN EXCHANGE EARNINGS OF $50 MILLION, OF WHICH $30 MILLION ARE COMMITTED, LEAVING $20 MILLION LEEWAY IN PAYING FOR IMPORTS OF PREFERRED CUSTOMERS. ALSO ACCORDING TO AKBANK, TURKISH BANKING REGULATIONS PROVIDE FOR CONVERSION OF OPEN ACCOUNT IMPORT TRANSACTIONS TO ACCEPTANCE FINANCING AT ANY TIME.

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